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NATIONAL DAIRY
PRODUCTS CORPORATION

Annual Report 1962

NATIONAL DAIRY PRODUCTS CORPORATION

39th Annual Report

For The Year Ending December 29, 1962

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The Annual Meeting of the stockholders of National Dairy Products Corporation will be held on Thursday, April 18, 1963, at 11 a.m. at The Statler Hilton Hotel, 33rd Street and Seventh Avenue, New York City.

BOARD OF DIRECTORS

Richard C. Bond
President, John Wanamaker Philadelphia, Inc.,
Philadelphia

Edgar N. Brawner
General Manager, Washington District,
Sealtest Foods Division, Washington, D. C.

Henry W. Breyer, Jr.
President, Breyer Corporation, Investments,
Philadelphia

Paul C. Cabot
Partner, State Street Research and
Management Company, Boston

Gordon Edwards
Executive Vice-President, Kraft Foods Division,
Chicago

Robert S. Gordon
Vice-President and General Counsel

Herbert Humphreys
Chairman, Humko Products Division,
Memphis

J. Clyde Loftis
Vice-President;
President, Kraft Foods Division, Chicago

David L. Luke
Chairman of the Board, West Virginia Pulp and
Paper Company, New York

Philip D. Reed
Former Chairman of the Board,
General Electric Company, New York

C. R. Roberts
Vice-President;
President, Sealtest Foods Division, New York

George H. Rutherford
Vice-President and Chairman, Finance Committee

Clyde H. Shaffer
Vice-President, Sealtest Foods Division
President, Breyer Ice Cream Division, Philadelphia

Emanuel M. Terner
President, Metro Glass Division, Jersey City

Walter N. Thayer
President, Whitney Communications Corporation,
New York

John L. Weinberg
Partner, Goldman, Sachs & Co.,
New York

J. Huber Wetenhall
President

EXECUTIVE COMMITTEE

J. Huber Wetenhall, *Chairman*

Henry W. Breyer, Jr.
Paul C. Cabot
Robert S. Gordon
J. Clyde Loftis
David L. Luke
Philip D. Reed
C. R. Roberts

FINANCE COMMITTEE

George H. Rutherford, *Chairman*

Richard C. Bond
Henry W. Breyer, Jr.
Paul C. Cabot
J. Clyde Loftis
Philip D. Reed
C. R. Roberts
Walter N. Thayer
John L. Weinberg
J. Huber Wetenhall

Highlights Of Operations

	1962	1961
Net Sales	$1,820,538,000	$1,790,834,000
Net Profit	$ 51,303,000	$ 50,211,000
Per Share	$ 3.57	$ 3.51
Per Dollar of Sales	2.82%	2.80%
Federal and Foreign Taxes on Income	$ 53,175,000	$ 51,315,000
Per Share	$ 3.70	$ 3.59
Dividends to Shareholders	$ 29,411,000	$ 28,536,000
Per Share	$ 2.05	$ 2.00
Capital Expenditures	$ 49,235,000	$ 51,327,000
Depreciation	$ 35,946,000	$ 34,378,000
Working Capital	$ 268,536,000	$ 214,457,000
Stockholders' Equity (Excluding Intangibles)	$ 469,726,000	$ 445,901,000
Number of Stockholders	69,727	69,993

To Our Stockholders:

National Dairy had another excellent year in 1962 with substantial progress made in its world-wide operations and with record highs established in domestic and foreign sales, in profits before and after taxes, and in the dividend rate.

In view of the keen competition in the food industry, these results reflect the drive and ingenuity of the Company's operating organizations whose ability to adapt to ever-changing economic conditions and distribution patterns, both domestic and foreign, enabled all of our various Divisions to contribute toward consolidated income.

The Company penetrated additional markets and extended its services in the United States, Canada and many overseas countries. Once again we provided our operating Divisions with the increased production and distribution facilities necessary to make both our established lines and our new and improved products more widely available in our growing markets. During the past year National Dairy, we believe, distributed a broader range of ready-to-eat food products, processed and packaged for maximum convenience to the consumer, than did any other company in the food field.

To preserve a sound basis for profitable business, the Company placed increasing emphasis on closely managed operating costs. In this effort our new and improved plants with their modern, efficient equipment were, of course, an important factor. We gave great stress to aggressive promotion and imaginative merchandising designed to meet the changing needs of the food merchant and the desires of the family shopper. These parallel efforts in sales and operations enabled National Dairy in 1962 to continue the steady growth which has made it the great food business it is today.

J. Huber Wetenhall

President

Report of Management

The volume of products National Dairy made and delivered to its customers in 1962 climbed to the highest annual level in the Company's history. We enjoyed gains in practically every product line. World-wide sales for 1962 rose for the eighth consecutive year, totaling $1,820,538,000, an increase of $29,704,000 over 1961. This increase was achieved despite the lower prices which prevailed generally last year due to vigorous competition and the effect of reduced price supports for certain products.

The profit record established in 1962 marked the Company's tenth increase in earnings over the last eleven years. Profits before taxes of $104,478,000 were the highest we have yet experienced, exceeding last year's pre-tax earnings by nearly 3 per cent. Earnings after taxes for 1962 reached $51,303,000, increasing $1,092,000 over the previous year's earnings, and moving above their prior high attained in 1960. Earnings per share in 1962 were $3.57, based on 14,370,100 shares outstanding, as compared with per share earnings of $3.51 in 1961 on 14,302,362 shares outstanding. A record $53,175,000 of 1962 earnings went for Federal and foreign income taxes, as compared with $51,315,000 in 1961.

The earnings for the year were achieved despite the continuing pressure from increased costs. While raw material prices were relatively stable, our total product cost—which included processing expense and the purchase of containers and packaging materials—rose to $1,368,316,000 for 1962, or $22,806,000 over last year. However, much of this increase necessarily resulted from our greater volume of business. The cost of delivery, selling, general and administrative expenses amounted to $348,023,000; other charges, including interest, were $6,141,000; while total taxes—Federal, state, local, and foreign—came to $75,542,000, or $5.26 per share.

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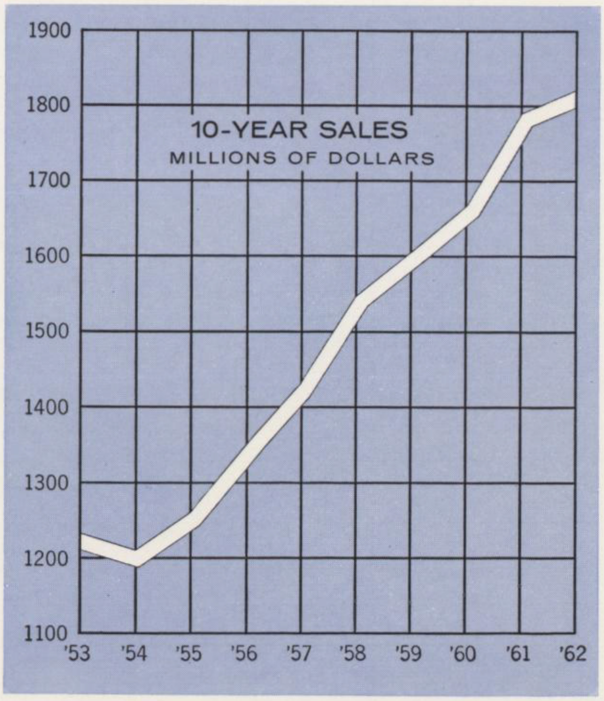
Your Board of Directors, at its meeting November 1, 1962, increased the Company's quarterly dividend to 55¢ from 50¢ per share, the seventh increase in the last ten years. The higher dividend, which was first included in checks mailed to stockholders in December, 1962, brought total dividends for the year to $29,411,000, or $2.05 per share, as compared with $28,536,000, or $2.00 per share in 1961. This increase in the dividend to an annual rate of $2.20 per share reflects improved earnings, and is in keeping with the Company's traditional policy of paying larger dividends when justified by the level of profits and the current and future needs of the business. National Dairy has paid cash dividends in every quarter since its founding in 1923.

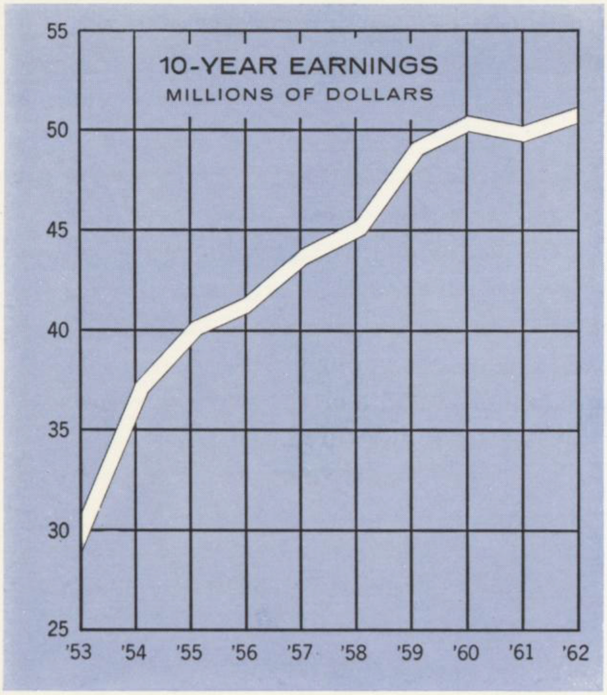


National Dairy stock continued to be widely held among investors in every state and territory of the United States, in Canada and in 44 other countries. At the end of 1962, the Company had 69,727 shareowners, among whom were 2,872 institutions including fiduciary agencies, insurance companies, foundations, mutual and pension funds, colleges, churches, and charitable organizations.

The Company's financial position was strengthened in 1962, with year-end cash and short-term investments amounting to more than $89,000,000, and with no short-term borrowings outstanding. This favorable liquid position was attributable mainly to a reduction in inventories of products and materials of about $23,000,000, and to the issue and sale last March of $35,000,000 principal amount of the Company's 4⅜% Debentures due 1992. The proceeds from the sale of this issue, which was immediately oversubscribed, were added to general corporate funds to be used as needed for the continuing development of the Company's business. Also in 1962, our subsidiary in England issued and sold there $4,200,000 principal amount of debentures for the purpose of financing its expanding operations.

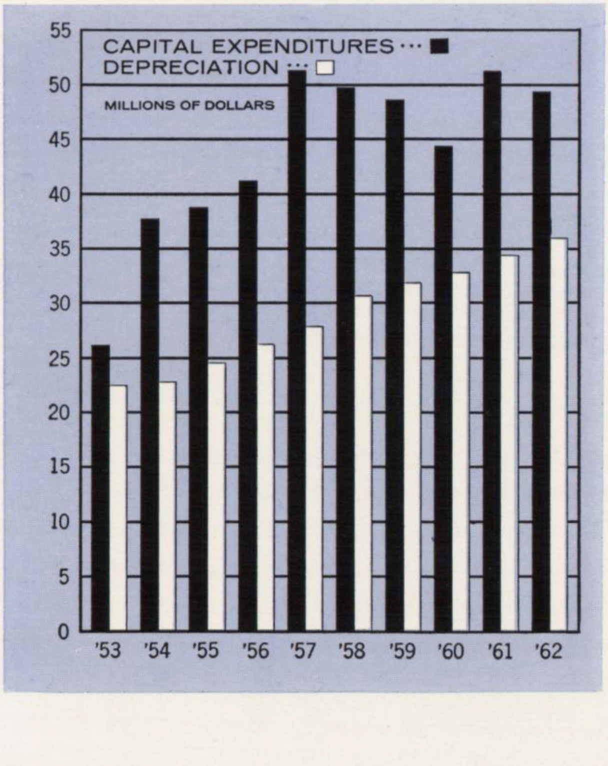
At the end of 1962, working capital totaled $268,536,000, an increase of $54,079,000 over 1961. Property, plant and equipment, less depreciation, amounted to $326,603,000, while total assets were at a new high of $774,267,000. Stockholders' equity (excluding intangibles) increased to $469,726,000 and equaled $32.69 per share as against $31.18 per share in 1961. Stockholders' equity has almost doubled in the last ten years.

A total of $49,235,000 was invested for constructing and equipping new processing plants and distributing branches; for modernizing existing facilities; and for the replacement of plant equipment and rolling stock. Of this amount, depreciation provided about $35,946,000, with the balance being supplied by earnings. This capital expenditure program, for many years the largest in the food industry, is calculated to meet the continuous need for new and improved facilities; to maintain and augment efficiency in our methods of handling and processing materials, and to move our finished products swiftly into the marketplace.



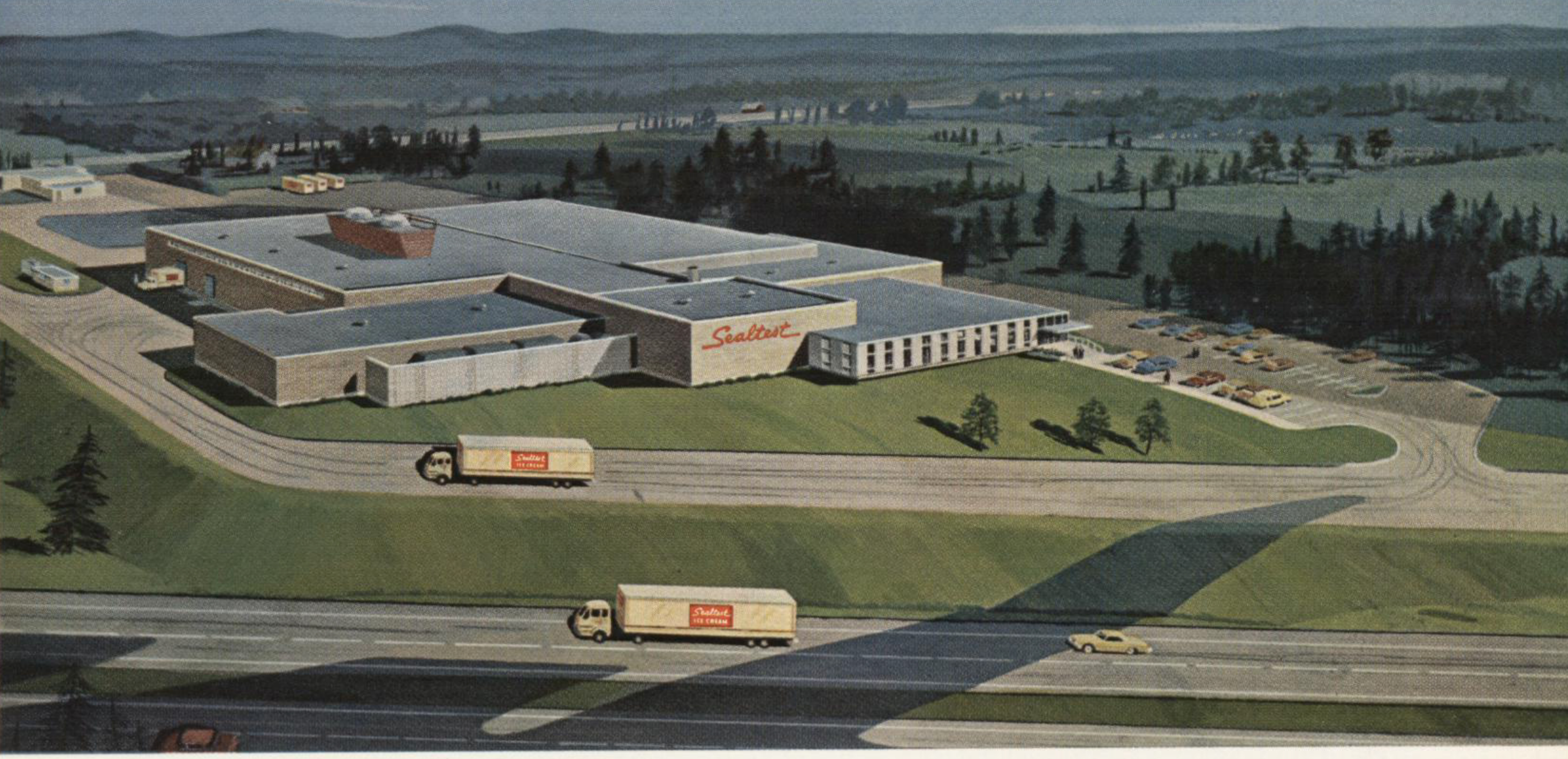
We went forward with a number of our most important construction projects during 1962. Outstanding in terms of new product significance was the substantial enlargement of the confection plant at Kendallville, Indiana operated by our Kraft Foods Division. These facilities provide for increased output to help us meet the growing demand for our new chocolate-covered candies, and to permit more centralized production of confections. Also for Kraft Foods, a big margarine and salad products plant and distributing center went under construction at Champaign, Illinois and is scheduled to commence operations early in 1963. Additions were made at our Dunkirk, New York plant for turning out a greater volume and variety of our jellies and preserves. Also under construction last year and scheduled to be in full production in 1963 is a large, new citrus processing plant at Lakeland, Florida which will replace a plant there and will more effectively supply the needs of the growing business of Kraft fruit salad and citrus juice. Although a substantial addition to our major processing plant at New Ulm, Minnesota was completed only three years ago, additional installations were required at that location last year, as well as at our plant at Wausau, Wisconsin where grated and shredded cheese and dip mixes are manufactured. Distribution facilities at Denver, Philadelphia, and Miami were also enlarged; and added plant facilities were built at Owenton and Lawrenceburg, Kentucky and Springfield, Missouri for the production of edible whey.

Outstanding in the plant expansion program of our Sealtest Foods Division last year was the start made on construction of the new ice cream processing center at Framingham, Massachusetts near Boston. This plant, when completed, will be the most modern and among the largest in the country. The Framingham center is of particular significance because it represents an important phase of our forward planning, which contemplates the full development, in a single major facility, of a centralized production system designed to service a very wide geographical area through relatively few distributing branches. This removes the necessity for the continued maintenance of numerous small processing and distributing branches. We take full advantage of the trend in modern road building by locating these large producing centers near Thruways over which our trucks can transport product to markets, far and near, with maximum dispatch and efficiency.



Our forthcoming new ice cream center at Framingham, Massachusetts (visualized in sketch at right), is typical of the larger production facilities the Company plans to build in other operations. Situated on the Massachusetts Turnpike, this plant illustrates our conception of strategically located production centers to be equipped for greater capacity and broadscale distribution, as explained in the adjacent text.

Another illustration of this changing distribution pattern is a new distributing branch at Latham, New York which supplants the smaller branches at Albany and Schenectady and will be served by the Framingham ice cream plant. These facilities, and others contemplated, will provide more efficient coverage of our ice cream markets. Also in 1962, plans were developed for a similarly centralized facility at North Lawrence, New York to process Sealtest cottage cheese for distribution in markets of the Northeastern States. Meanwhile, a large Sealtest milk plant was completed at Roanoke, Virginia to process dairy products for distribution in South-



western Virginia. Facilities were also enlarged or remodeled at Washington, New York City, Camden, Philadelphia, and Cleveland.

For the Breakstone Foods Division, the additional facilities at Walton, New York were completed and went into production in 1962, making this one of the largest operations producing cottage cheese and other soft cheese products. The remodeling of the plant at Hagerstown, Maryland, to provide for the increased business of this Division in the Central Atlantic area, is nearing completion. Its new distributing branch in the Metropolitan Boston area was completed. This branch, with its ready access to the New England highway network, will greatly facilitate the movement of Breakstone's products into all sections of this flourishing market.

Expansion of production facilities was continued at the edible oils refineries operated by our Humko Products Division at Memphis, Tennessee and Champaign, Illinois, including additions to generating and storage equipment used in the production of vegetable oils and shortenings. At Memphis, a new distillation system was installed to expand the output of the fast-growing line of high-purity fatty acids which we provide for industrial customers, while construction was practically finished on a new technical service laboratory to accommodate the varied requirements of these customers. Also installed there was a new system for producing refined glycerine.

Start-up was completed and production was under way in the additions previously built at the Metropolitan Chicago plant of our Metro Glass Division, producer of glass containers for industry. Metro's Eastern facilities have been re-equipped and their efficiency and production capacity increased.

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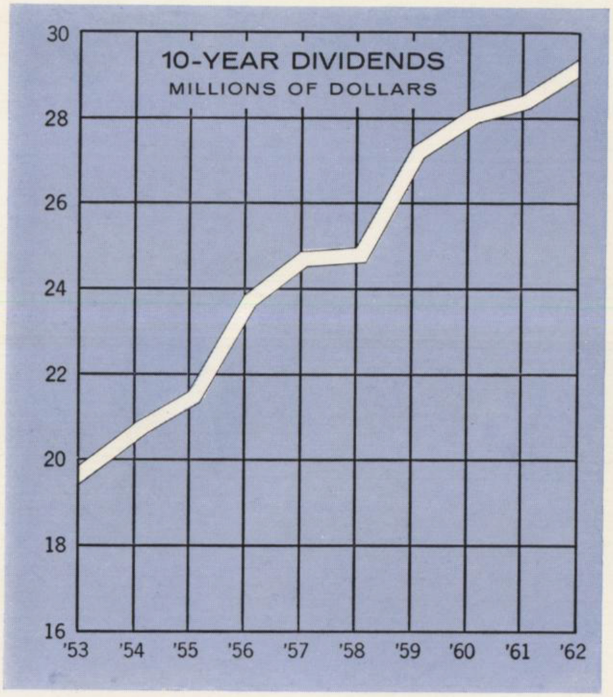
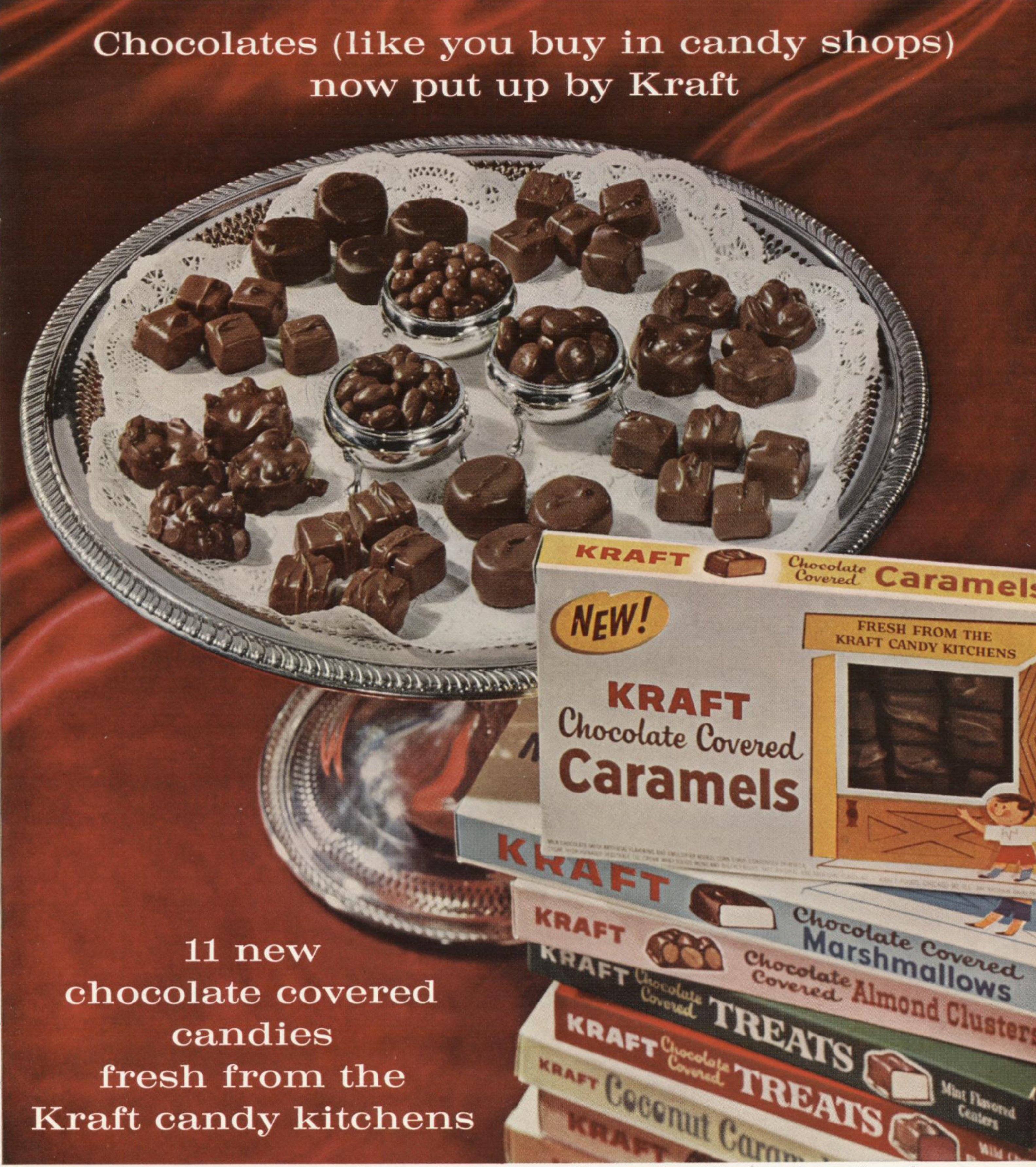
During 1962, the Company continued to concentrate upon new and improved products to serve the needs of the great retail food industry represented by all kinds of grocery stores, self-service markets, delicatessens, drug stores, dairy specialty shops and other outlets which deal directly with the public and provide the principal channels to the family shopper. We approach these channels on a broad front, starting with forceful, wide-scale advertising in consumer media (see examples pictured on pages 12 and 15); then advancing with all kinds of seasonal promotions and other marketing devices to focus public attention upon our products. In the end, however, we must have direct personal contact with the thousands of food merchants whose interest and support for our products are vital to the business. For this reason, we continued last year to give close attention to the needs of the local food merchant . . . to the development of in-store, point-of-sale activities devised to help him do a larger and more profitable business . . . and particularly, to provide him with novel display materials and intelligent merchandising assistance to expedite the movement of our products through his check-out counters. We likewise continued to supply the food merchant with a constant flow of more and better products attractively packaged to excite the shopper's interest and help the storekeeper make the sale and win new customers.

For the vast household consumer market, we added to our confections line last year several more chocolate-covered candies. These new Kraft "Candy Shop" chocolates now include eleven chocolate-covered varieties. These candies (illustrated on the facing page) joined those other favorites — caramels, peanut brittle, Fudgies, Treats and marshmallows. Last year we also added three flavors to the ice cream topping line, which now numbers ten items. At the same time we introduced under the Kraft label seven new flavors of whipped cream cheese in a new easy-to-open aluminum cup—a container which marks an important advance in preserving the flavor and freshness of this product. For the weight-conscious, we added a new group of low-calorie products to our extensive line of jellies and preserves . . . and, as a further indication of our efforts to serve those having specialized tastes, we brought out, but only in selected markets so far, a new whipped corn oil margarine and a new whipped safflower oil margarine. Another product making its debut in selected areas as a start was Kraft's hot barbecue sauce, the third item in this young but growing line of sauces so popular with outdoor and indoor cooks. This Division also offered nationally several of its favorites in newly designed packages, including Philadelphia Brand cream cheese; jellies and preserves; Kraft oil, and three Family Dinners (spaghetti, noodle with chicken, and macaroni with cheese), as well as a number of cheese and sandwich spreads.



Broader consumer appeal was attained through product development in the Sealtest milk and ice cream business. In addition to the special seasonal flavors of ice cream and cottage cheese which Sealtest has long promoted successfully, it marketed several new products last year, and brought out familiar ones in new forms and packages. Devonshire style cottage cheese—a delicious new tangy product of the fine-curd type blended with sour cream—came into market and met with a highly favorable response. Another new product, iced tea, had successful tests in two large Midwestern markets and, as a result, has been readied for processing and distribution by Sealtest. This Division also placed emphasis upon its growing line of ice cream specialties which come in a number of varied types and forms, including ice cream bars, cones, sandwiches, cups and pies. Three promising new products—grapeade, lemon-lime, and tropical punch—were introduced into our fresh-fruit beverage line,



Chocolates (like you buy in candy shops) now put up by Kraft

11 new chocolate covered candies fresh from the Kraft candy kitchens

KRAFT
Chocolate Covered Caramels
NEW!
FRESH FROM THE KRAFT CANDY KITCHENS
KRAFT
Chocolate Covered Caramels
KRAFT
KRAFT Chocolate Covered Marshmallows
KRAFT Chocolate Covered Almond Clusters
KRAFT Chocolate Covered TREATS
Mint Flavored Centers
KRAFT Chocolate Covered TREATS
KRAFT Coconut Caram
KRAFT

Caramels • Marshmallows • Peanuts • Raisins • Peanut Clusters • Almond Clusters • Coconut Caramels
Wild Cherry Treats • Mint Treats • Caramelettes • Chocolate Marshmallows

The story of Kraft Foods and its vast array of varied products has an important new chapter entitled "Chocolate Covered Candies." This story is now being told to millions of American shoppers via many forms of mass media—newspapers, magazines, television, and radio. The dramatic illustration above—taken from a magazine advertisement—reflects the strong impact characterizing all phases of the marketing campaign recently introducing these promising new products to the buying public.

accompanying the Sealtest lemonade, which appeared in the market last year and was so well received. Another newcomer in regional areas was a high-protein, low-calorie fluid milk product for weight-watchers, which joined our Sealtest products under the name "NRG". Among the year's most functional packaging developments was "Band Box", a new half-gallon ice cream container with a paper zip-top opener for convenient and neat opening and closing. Sealtest Foods cooperated with the manufacturer in the development of this unique package and was first to introduce it into the market. We likewise extended the distribution of Sealtest's Prestige French ice cream — a fine, deluxe product — which now appears in an attractive plastic container reuseable in the home.

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Progress was also made in the development of new and improved products and services for the food-serving industry—including hotels, restaurants, clubs, military commissaries, canteens, employee cafeterias and other eating places. Our Kraft food-service lines last year were expanded to include new four-pound glass jars of our jellies and preserves . . . half-gallon jars of red grapefruit sections . . . a quart-size can of concentrated orange juice . . . a five-pound Old English pullman style cheese . . . and institutional size containers of flaked potatoes, powdered onions, and freeze-dried shrimp, Alaskan king crab, and chicken. Many other food products bearing the brands of our Sealtest, Breyer, Breakstone, Humko, and Sugar Creek businesses were also made available in institutional form, steadily improving our position in the great dining-out market.

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For food manufacturing customers, we continued to develop new and improved products and technical services adapted to their requirements. Among new products offered by the Kraft Foods Division during the year was an all-purpose stabilizer for ice cream and ice milk. An improved, chocolate-flavored, stabilized powder for making chocolate milk was also made available to commercial customers. Edible whey and dried egg whites showed a healthy development in sales to bakers and other food processors.

The Humko Products Division, whose principal customers are food manufacturers, established new tonnage records in refined edible oils and shortening in 1962. Humko continued to promote its products by stressing a program to satisfy the highly specialized needs of its many customers among the producers of such products as margarine, salad dressings, prepared mixes, candies and popcorn. Among the newer products of this Division were corn oil and safflower oil. Humko also placed on the market with gratifying success its new Koflay brand of cooking oil and shortening for the manufacture of potato chips and other snack items.

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The Chemical operation of Humko had its best year in 1962. Working in close collaboration with the Company's Research and Development Division, this operation went on stream with new processes and facilities to produce additional grades of fatty acids and nitrogen derivatives. These products are used by manufacturers of soap, cosmetics, plastics, rubber, paints and varnishes, waxes and polishes, and many other commodities. Among the chemical products we produced for the first time last year were refined glycerine, several new nitrogen derivatives, and a number of new types of fatty acids of the quality and purity symbolized by Hystrene and other Humko brands highly regarded among industrial users. At the year-end, Humko was distributing approximately 60 different grades of fatty acids.

The Sheffield Chemical business of our Sealtest Foods Division carried on several interesting product developments last year, with emphasis upon ingredients useable in our own operations.

It made virtually all the vanilla flavoring for our Sealtest ice cream, and began the processing of chocolate fudge flavoring. Sheffield Chemical developed several other products for Sealtest use such as carbonated beverage base for soft drinks . . . the concentrate base for iced tea . . . and ingredients designed to provide greater smoothness and texture to ice cream. In addition, Sheffield Chemical did an increasing business with the numerous types of food processors who use our milk proteins to increase the energy and flavor levels in their products.

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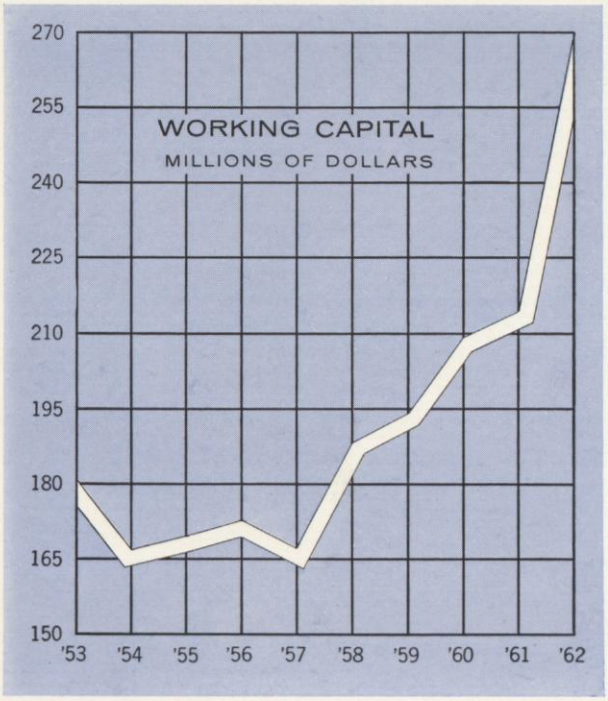
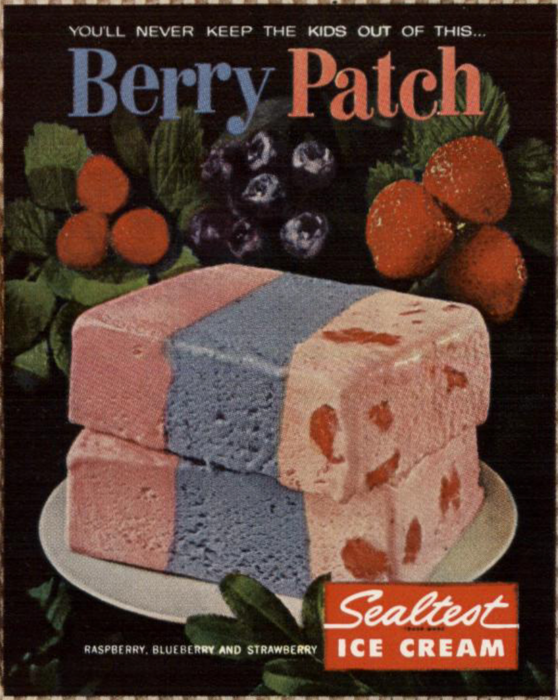
The Company's international business continued to grow in 1962. In Canada operations showed gains in sales, both with the retail trade and with public eating places, for the many Kraft products processed and distributed from our large plant in Montreal. Our established lines received an increasing acceptance in Canadian markets, and Kraft during 1962 introduced in the Province of Quebec seven different varieties and sizes of spaghetti and macaroni, in addition to a pizza-pie mix. The candies called Treats, so popular in United States markets, were introduced in Canada and found immediate favor.

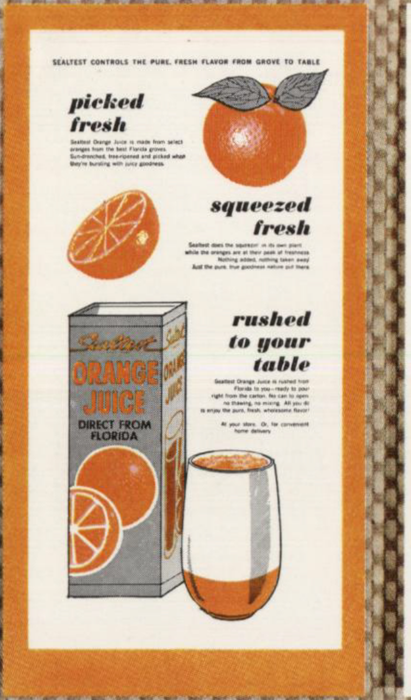
Our Sealtest milk and ice cream business in Canada also continued to expand through Dominion Dairies. Last year work was completed on the enlargement of Dominion's plant at Toronto and renovation at its Ottawa plant is well under way. In another phase of its expansion, Dominion Dairies acquired in 1962 the Roselawn Farms Dairy of Toronto. These added facilities will enable us to move more merchandise and meet the needs of our growing dairy product business in Canadian markets, as we develop further acceptance for our brands in the Provinces of Quebec and Ontario.

The Company's overseas operations enjoyed an increased business for the year, constantly broadening the distribution of our many products, and providing several additional facilities to extend our principal operations located in the British Isles, West Germany, and Australia. In England, a plant located in Haverfordwest, Wales was acquired and is being rebuilt and equipped to go into cheese production in 1963. In Germany, new equipment was added at the Schwabmuenchen plant; while in Australia, building extensions were completed and additional equipment installed at our main processing plant at Melbourne, and the bulk cheese plants operated at Allansford, Leitchville, and Strathmerton were also enlarged. For the first time American-style, family-size margarine, four sticks to the pound, was offered to consumers in England; while Philadelphia Brand cream cheese was successfully launched in Germany, together with other products including Catalina liquid dressing and Kraft shortening. Arrangements were also made for the wider distribution of mayonnaise in Germany, Denmark, Italy, and Belgium.



During 1962, the Company's Australian operations marketed several of our American-developed products for the first time, including Kraft


YOU'LL NEVER KEEP THE KIDS OUT OF THIS...
Berry Patch
Sealtest
ICE CREAM
RASPBERRY, BLUEBERRY AND STRAWBERRY

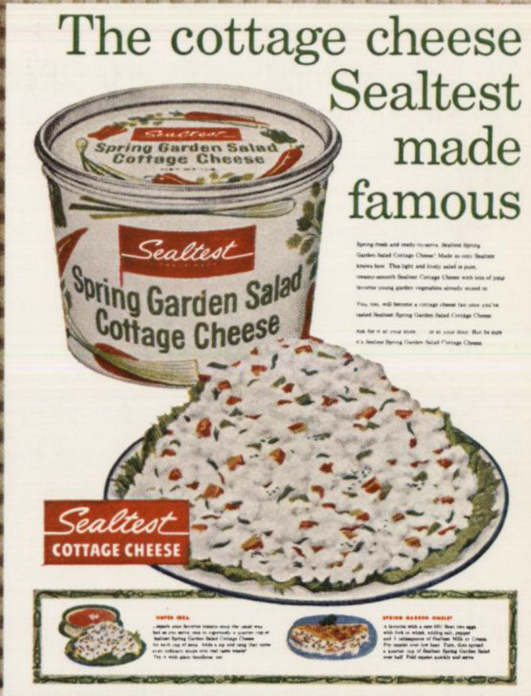

SEALTEST CONTROLS THE PURE, FRESH FLAVOR FROM GROVE TO TABLE
picked fresh
squeezed fresh
rushed to your table
Sealtest
ORANGE JUICE
DIRECT FROM FLORIDA

Sealtest Orange Juice is made from select oranges from the best Florida groves. Sun-drenched, tree-ripened and picked when they're bursting with juicy goodness.

Sealtest does the squeezin' in its own plant while the oranges are at their peak of freshness. Nothing added, nothing taken away. Just the pure, true goodness nature put there.

Sealtest Orange Juice is rushed from Florida to you—ready to pour right from the carton. No can to open, no thawing, no mixing. All you do is enjoy the pure, fresh, wholesome flavor!

At your store. Or, for convenient home delivery.


The cottage cheese Sealtest made famous
Sealtest
Spring Garden Salad Cottage Cheese
Sealtest
COTTAGE CHEESE

Spring-fresh and ready-to-serve, Sealtest Spring Garden Salad Cottage Cheese! Made as only Sealtest knows how. This light and lively salad is pure, creamy-smooth Sealtest Cottage Cheese with lots of your favorite young garden vegetables already mixed in.

You, too, will become a cottage cheese fan once you've tasted Sealtest Spring Garden Salad Cottage Cheese.

Ask for it at your store ... or at your door. But be sure it's Sealtest Spring Garden Salad Cottage Cheese.

Shown here are typical advertisements promoting the Company's milk and ice cream business. They illustrate how the power of modern communication helps us to increase public identification of our dairy product brands . . . to create a favorable climate for the many seasonal promotions connected with them . . . to motivate enthusiastic cooperation from food merchants in selling them . . . and to stimulate both impulse and repeat buying by housewives at the dairy case.

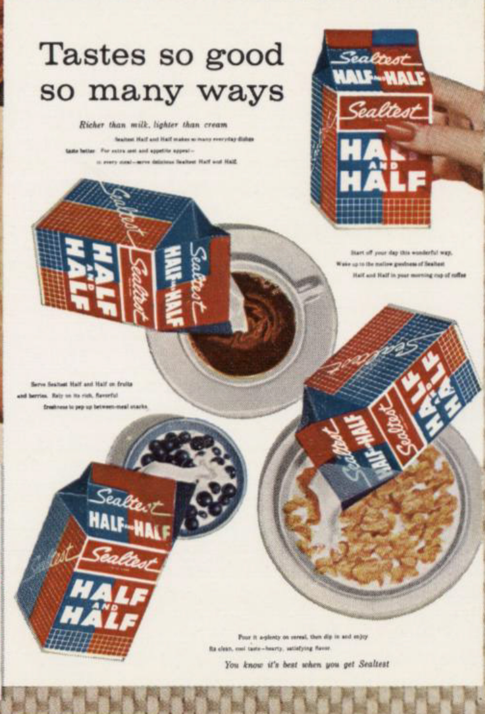
NEW! CREAMY, KRUNCHY... SEALTEST-GOOD!
TOFFEE-GOOD INSIDE!
KRUNCHY COATING OUTSIDE!
Sealtest
TOFFEE KRUNCH BAR
TRY THESE OTHER Sealtest TREATS IN MULTI-PAKS
ICE CREAM CONES
ICE CREAM SANDWICHES
Popsicles
Fudgsicles
CHOCOLATE-COVERED ICE CREAM BARS

What a combination! Luscious Sealtest Toffee Ice Cream, with a rich chocolaty coating that's full of crunchy bits of toffee! Sealtest-wholesome! Sealtest-delicious!

SO MUCH TO COUNT ON—FROM SEALTEST!
YOUR FAMILY DESERVES THE BEST —GET SEALTEST!
Sealtest
VITAMIN D MILK

You can count his birthdays. You can count the inches he grows each year. And you can always count on Sealtest Milk!

Mother has every assurance that Sealtest exercises the most rigid quality controls to give her family the finest milk. She knows that Sealtest is tested and retested for purity, quality and freshness by trained personnel working with the most modern equipment. That's why she has come to depend on Sealtest. You get so much to count on, when you count on Sealtest.


Tastes so good so many ways
Richer than milk, lighter than cream
Sealtest
HALF AND HALF
You know it's best when you get Sealtest

Sealtest Half and Half makes so many everyday dishes taste better. For extra zest and appetite appeal— in every meal—serve delicious Sealtest Half and Half.

Start off your day this wonderful way. Wake up to the mellow goodness of Sealtest Half and Half in your morning cup of coffee.

Serve Sealtest Half and Half on fruits and berries. Rely on its rich, flavorful freshness to pep up between-meal snacks.

Pour it aplenty on cereal, then dip in and enjoy its clean, cool taste—hearty, satisfying flavor.

Breyers
cherry pecan
ICE CREAM

jellies and preserves, Cracker Barrel cheese . . . and introduced the same type of peanut butter we make and sell in Canada. Good business also was done in various new products added to our Australian lines through acquisitions made the previous year—including the blue fin tuna and Australian salmon packed by our Green's Products fish canning business, and the dehydrated, frozen vegetables processed and canned by our Dewcrisp Products business.

The Company's export business, which is carried on not only from the United States but also from other countries, remained an important part of our international operations.

◆

National Dairy continued in 1962 to play an important role in regional and local economies in this country and abroad. Our purchase of nearly a billion dollars of farm products last year evidences the steady market we provide farmers. Meanwhile, the Company continued to contribute toward the betterment of farming methods through assistance in agricultural research; and through direct technical aid by our field specialists in herd improvement, pasture and crop development, sanitation, and farm management generally. This help by our Division field services is of practical value to producers (as the large investment in agriculture requires scientific management to make it profitable), and insures a continuous flow of high quality raw materials from the farms to us. We also maintain a close relationship with local business houses which provide us with various supplies and services. Moreover, our operations channel many additional dollars into local communities through dividends to stockholders and the wages and salaries paid employees. Most of these dollars, in turn, flow into local commerce.

The men and women of National Dairy, in addition to being devoted employees, also continued to carry on numerous civic activities last year, giving generously of their time and energy to community services wherever they work—in our U. S., Canadian, or overseas operations. As local residents and homeowners, they are good neighbors and good citizens. Our employees constitute the Company's greatest single asset; their teamwork and enthusiasm were responsible for the progress of the business during the year. The Company employed 47,596 people in 1962 and our total payroll was at a high of $273,263,000. The investment per employee in plant and equipment of $13,000 not only provides the modern facilities for efficient operation but also makes work more pleasant and satisfying for our employees.

◆

Two of the three Federal Trade Commission proceedings which have been pending for so many years against the Company have been disposed of satisfactorily. The proceeding which alleged unfair trade practices in the ice cream industry—ours being one of ten companion suits filed against leading dairy companies—was dismissed by the Commission in May of 1962. In addition, the merger proceeding which we have been defending for over six years was recently terminated by a settlement agreement which resulted in a consent order under which the Company agreed to sell two local milk businesses acquired in 1954 — one at Wilmington, North Carolina and the other at Amarillo, Texas—and to make no acquisition of businesses in the domestic dairy products field without prior approval of the Commission for a period of ten years. We view this settlement as a practical conclusion of protracted and costly litigation. The Company remains free to expand its business through the same pattern of internal growth which has characterized our progress for many years; and the order has no application to acquisition of businesses outside the dairy products field. The third Federal Trade Commission proceeding, alleging price discrimination in the sale of milk and ice cream, presently awaits the initial decision of the Hearing Examiner. A new case before the Commission alleges price discrimination in a local promotion involving the sale of jellies and preserves.

A 1961 antitrust information relating to milk sales to Baltimore schools, involving our local milk operation and all other major dairy companies in that area, was terminated in February of last year by pleas of nolo contendere (in which no violation of law is admitted) and payment of fines. The Government, however, has since brought another indictment against substantially the same defendants covering substantially the same period of time, 1956-1960, relating to milk prices in the Baltimore area. There is also an indictment involving several dairy companies operating in New England, including the Company, which relates to bids for sales to Governmental installations and to other milk sales. The case at Kansas City, Missouri, relating to alleged violations of the antitrust laws in connection with the sale of milk in that area, is still pending.

In addition to these and related cases, all of which are being defended, there are several Governmental investigations and also other litigation of a character usual for companies operating similar businesses. Further comments regarding the significance of legal proceedings appear in the Notes to the Consolidated Financial Statements, page 18.

On April 19, 1962, the stockholders elected Gordon Edwards and John L. Weinberg to fill the vacancies occasioned by the retirement from the Board of E. E. Stewart, former Chairman, and Sidney J. Weinberg. Both of these men retired after extended and distinguished service dating back to the very beginnings of National Dairy, and their many important contributions toward the Company's growth and welfare will be long remembered.

Gordon Edwards joined the Company in 1927 and served several of its operations in financial positions before becoming Executive Vice-President of our Kraft Foods Division. John L. Weinberg is a partner of Goldman, Sachs & Co., investment bankers, and is also a director of a number of other industrial corporations.

As we came to the end of our 39th year of business, National Dairy was well equipped to meet the challenge and the promise of the years to come. The Company was stronger than ever before in its financial position, its organization, its manufacturing and distribution facilities, and its wide diversity of products. We are therefore well prepared to carry on the responsibilities of a good corporate citizen in the many communities where our services have received such an encouraging public response over the years.

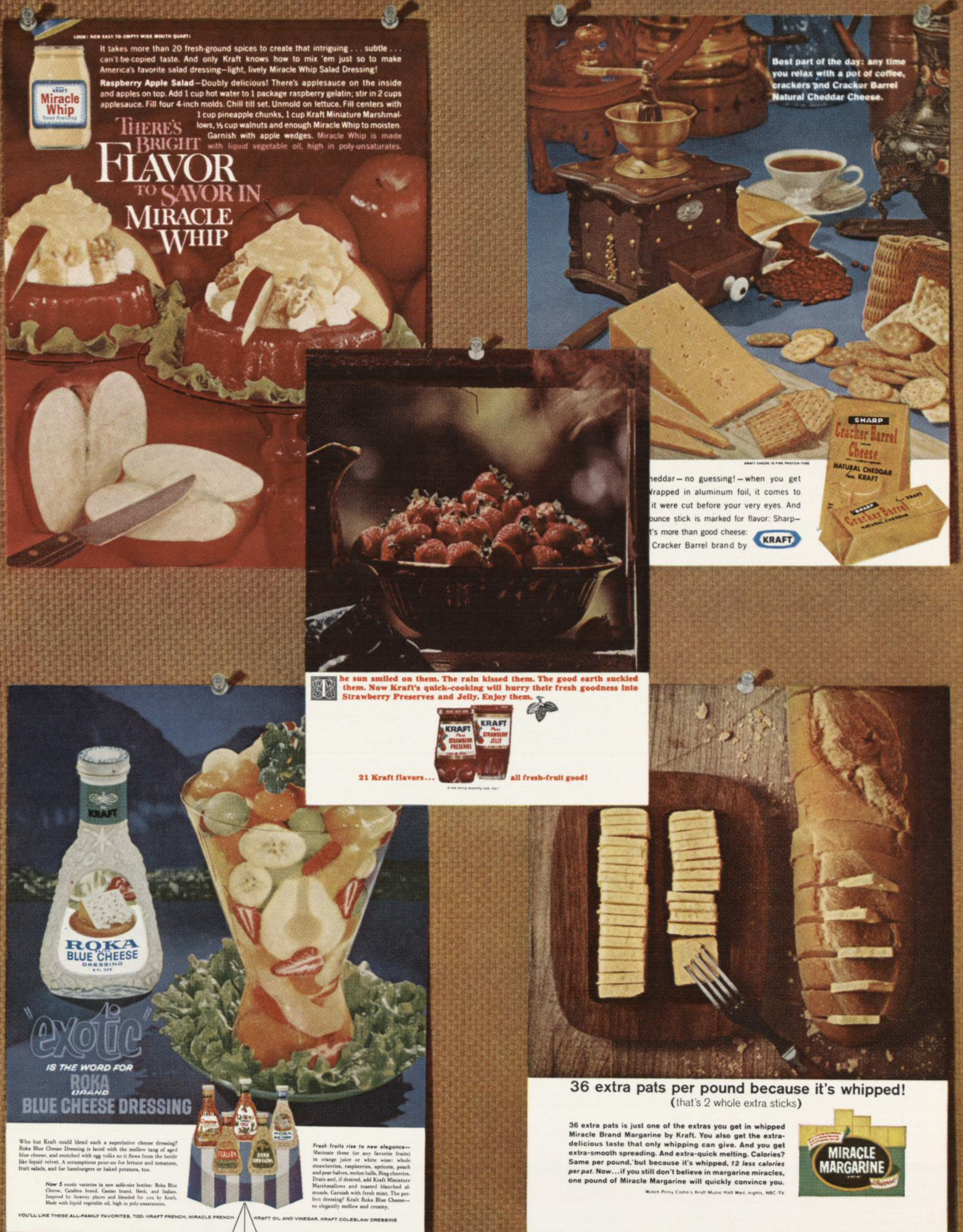
We welcome this opportunity to tell our stockholders how grateful we are for their continued interest and support, and to express our thanks to the many suppliers, distributors and customers who helped make 1962 a good year. We are also grateful to the many dedicated men and women of National Dairy all around the world who contributed so much to the success of our business during the year.

By order of the Board of Directors.

J Huber Wetenhall

President

March 7, 1963.



LOOK! NEW EASY-TO-EMPTY WIDE MOUTH QUART!

It takes more than 20 fresh-ground spices to create that intriguing . . . subtle . . . can't-be-copied taste. And only Kraft knows how to mix 'em just so to make America's favorite salad dressing—light, lively Miracle Whip Salad Dressing!

Raspberry Apple Salad—Doubly delicious! There's applesauce on the inside and apples on top. Add 1 cup hot water to 1 package raspberry gelatin; stir in 2 cups applesauce. Fill four 4-inch molds. Chill till set. Unmold on lettuce. Fill centers with 1 cup pineapple chunks, 1 cup Kraft Miniature Marshmallows, ⅓ cup walnuts and enough Miracle Whip to moisten. Garnish with apple wedges. Miracle Whip is made with liquid vegetable oil, high in poly-unsaturates.

THERE'S BRIGHT FLAVOR TO SAVOR IN MIRACLE WHIP

Best part of the day: any time you relax with a pot of coffee, crackers and Cracker Barrel Natural Cheddar Cheese.

KRAFT CHEESE IS FINE PROTEIN FOOD

heddar—no guessing!—when you get
Wrapped in aluminum foil, it comes to
it were cut before your very eyes. And
ounce stick is marked for flavor: Sharp—
t's more than good cheese:
Cracker Barrel brand by KRAFT

The sun smiled on them. The rain kissed them. The good earth suckled them. Now Kraft's quick-cooking will hurry their fresh goodness into Strawberry Preserves and Jelly. Enjoy them.

21 Kraft flavors . . . all fresh-fruit good!

in the family economy size, too!

"exotic" IS THE WORD FOR ROKA BRAND BLUE CHEESE DRESSING

Who but Kraft could blend such a superlative cheese dressing? Roka Blue Cheese Dressing is laced with the mellow tang of aged blue cheese, and enriched with egg yolks so it flows from the bottle like liquid velvet. A scrumptious pour-on for lettuce and tomatoes, fruit salads, and for hamburgers or baked potatoes, too.

Now 5 exotic varieties in new *table-nice* bottles: Roka Blue Cheese, Catalina brand, Casino brand, Herb, and Italian. Inspired by faraway places and blended for you by Kraft. Made with liquid vegetable oil, high in poly-unsaturates.

Fresh fruits rise to new elegance—Marinate these (or any favorite fruits) in orange juice or white wine: whole strawberries, raspberries, apricots, peach and pear halves, melon balls, Bing cherries. Drain and, if desired, add Kraft Miniature Marshmallows and toasted blanched almonds. Garnish with fresh mint. The perfect dressing? Kraft Roka Blue Cheese—so elegantly mellow and creamy.

YOU'LL LIKE THESE ALL-FAMILY FAVORITES, TOO: KRAFT FRENCH, MIRACLE FRENCH KRAFT OIL AND VINEGAR, KRAFT COLESLAW DRESSING

---

36 extra pats per pound because it's whipped!
(that's 2 whole extra sticks)

36 extra pats is just one of the extras you get in whipped Miracle Brand Margarine by Kraft. You also get the extra-delicious taste that only whipping can give. And you get extra-smooth spreading. And extra-quick melting. Calories? Same per pound, but because it's whipped, *12 less calories per pat*. Now...if you still don't believe in margarine miracles, one pound of Miracle Margarine will quickly convince you.

Watch Perry Como's Kraft Music Hall Wed. nights, NBC-TV

NATIONAL DAIRY PRODUCTS CORPORATION

INCLUDING FOREIGN SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 29 1962	*December 30* 1961
CURRENT ASSETS:		
Cash	$ 33,631,128	$ 26,514,980
U. S. Government and other short-term securities at cost, not in excess of market	55,919,788	1,231,886
Notes and accounts receivable, less reserve	97,155,307	95,180,087
Inventories, at lower of average cost or market—		
Products and materials	217,596,447	240,692,069
Supplies	21,117,087	21,504,744
Total Current Assets	$425,419,757	$385,123,766
MISCELLANEOUS INVESTMENTS, DEPOSITS AND RECEIVABLES (Less reserves)	$ 6,468,641	$ 6,509,658
PROPERTY, PLANT & EQUIPMENT (Stated substantially at cost):		
Land	$ 20,121,823	$ 19,922,904
Buildings	210,127,064	199,678,723
Machinery and equipment	373,932,731	362,480,029
	$604,181,618	$582,081,656
Less—Reserve for depreciation	277,578,832	264,282,817
	$326,602,786	$317,798,839
PREPAID AND DEFERRED ITEMS	$ 3,034,857	$ 4,186,478
INTANGIBLES (See note)	$ 12,740,615	$ 12,554,656
	$774,266,656	$726,173,397

(See Notes to Consolidated Financial Statements, pages 18, 19, and 20.)

NATIONAL DAIRY PRODUCTS CORPORATION
INCLUDING FOREIGN SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES

	December 29 1962	*December 30* 1961
CURRENT LIABILITIES:		
Notes payable	$ —	$ 15,000,000
Accounts payable and accrued liabilities	121,573,648	119,740,287
Provision for Federal and foreign taxes on income	34,697,091	35,440,716
Sinking fund requirements, less long-term debt held in treasury ($3,033,120 in 1962 and $3,413,135 in 1961)	612,536	485,893
Total Current Liabilities	$156,883,275	$170,666,896
LONG-TERM DEBT (See note)	$116,598,721	$ 81,808,500
DEFERRED FEDERAL AND FOREIGN TAXES ON INCOME	$ 12,848,774	$ 10,341,592
RESERVES FOR INSURANCE, ETC.	$ 3,934,559	$ 3,458,127
MINORITY INTEREST IN SUBSIDIARY COMPANIES	$ 1,534,238	$ 1,443,194
CONTINGENT LIABILITIES (See note)		
CAPITAL STOCK AND SURPLUS:		
Common stock, $5 par value (authorized 16,000,000 shares; issued and outstanding 14,370,100 shares at December 29, 1962 and 14,302,362 shares at December 30, 1961)	$ 71,850,500	$ 71,511,810
Capital surplus, per statement attached	35,231,988	33,450,429
Earned surplus, per statement attached (See note)	375,384,601	353,492,849
	$482,467,089	$458,455,088
	$774,266,656	$726,173,397

(See Notes to Consolidated Financial Statements, pages 18, 19, and 20.)

NATIONAL DAIRY PRODUCTS CORPORATION
INCLUDING FOREIGN SUBSIDIARY COMPANIES

Statements Of Consolidated Profit And Loss

	52 Weeks Ended Dec. 29, 1962	*52 Weeks Ended* Dec. 30, 1961
INCOME:		
Net sales	$1,820,538,335	$1,790,834,487
Other income	6,419,288	7,135,814
Total	$1,826,957,623	$1,797,970,301
INCOME DEDUCTIONS:		
Cost of products	$1,368,316,071	$1,345,509,601
Delivery, selling, general and administrative expense	348,023,331	344,906,748
Miscellaneous charges—net	2,429,764	3,429,142
Interest on long-term debt	3,710,839	2,598,234
Total	$1,722,480,005	$1,696,443,725
PROFIT BEFORE FEDERAL AND FOREIGN TAXES ON INCOME	$ 104,477,618	$ 101,526,576
Less:		
Provision for Federal and foreign taxes on income	$ 51,475,000	$ 51,315,000
Provision for deferred taxes relating to investment credit (See note)	1,700,000	—
Total	$ 53,175,000	$ 51,315,000
NET PROFIT FOR THE YEAR	$ 51,302,618	$ 50,211,576

The provision for depreciation charged to costs and expenses amounted in 1962 to $35,945,585 and in 1961 to $34,378,059.

(See Notes to Consolidated Financial Statements, pages 18, 19, and 20.)

Notes To Consolidated Financial Statements........ *Dec. 29, 1962*

INVESTMENT CREDIT

The Revenue Act of 1962 provides for an "Investment Credit" amounting to 7% of the purchase price of certain depreciable assets acquired and placed in service after December 31, 1961. This credit takes the form of a reduction in Federal income taxes otherwise payable in the year such assets are acquired. The Corporation has adopted the policy of amortizing the investment credit generally over the useful life of the related property. On this basis, $200,000 of the credit available for 1962 has been reflected in profits in 1962, and $1,700,000 has been deferred to future operations.

INTANGIBLES

Intangibles represent the excess of the purchase prices paid over the net book values of the tangible assets of certain businesses acquired since 1955. The Corporation does not now intend to amortize items carried in this account.

FOREIGN EXCHANGE

In the consolidated balance sheets at December 29, 1962 and December 30, 1961 (also in the combined condensed balance sheets of certain foreign subsidiaries shown on page 21 herein), current assets and liabilities of foreign subsidiaries are translated at the rates of exchange prevailing at the end of each year. The effect of such fluctuations in exchange rates is reflected in profit and loss. All other assets and liabilities are translated generally at the rates prevailing at the time the assets were acquired or the liabilities incurred.

CONTINGENT LIABILITIES

The Company is defendant in various legal proceedings in which substantial amounts are involved. It is not feasible to predict or determine the outcome of these proceedings, the adjustments in operations which adverse decisions might require or the ultimate liabilities, if any,

NATIONAL DAIRY PRODUCTS CORPORATION
INCLUDING FOREIGN SUBSIDIARY COMPANIES

Statements Of Consolidated Surplus

	52 Weeks Ended December 29, 1962	
	Earned Surplus	Capital Surplus
Balance at beginning of fiscal year	$353,492,849	$33,450,429
Net profit for the year	51,302,618	—
Excess of consideration received over par value of shares issued	—	1,781,559
	$404,795,467	$35,231,988
Dividends on common stock—$2.05 per share	29,410,866	—
Balance at end of fiscal year	$375,384,601	$35,231,988

(See Notes to Consolidated Financial Statements, pages 18, 19, and 20.)

COMPTROLLER'S CERTIFICATE

The foregoing financial statements have been prepared under my direction from the companies' books kept under my supervision and, to the best of my knowledge and belief, fairly state the consolidated position of National Dairy Products Corporation including foreign subsidiary companies as of December 29, 1962 and the consolidated operations for the year ended on that date.

New York, N. Y., March 7, 1963.

Comptroller

which might result. No provision has been made in the accompanying financial statements in respect of such contingencies.

EMPLOYEES' STOCK OPTION PLAN

Under the Employees' Stock Option Plan approved in 1952 and amended in 1958, there were 420,690 shares of the authorized and unissued common stock of the Company reserved at December 29, 1962, for sale to officers and other key employees. At that date 1,395 employees held options to purchase a total of 373,250 shares at prices ranging from $28.80 to $74.25 per share, with an aggregate purchase price of $18,592,034, and 47,440 shares remained available for future grants. All options become exercisable in cumulative periodic installments extending over the terms of such options (generally ten years or to earlier retirement date), commencing not earlier than one year from date of grant. Options became exercisable during 1962 with respect to 74,955 shares having an aggregate purchase price of $3,095,862. During the year 67,723 shares were issued under the Plan and the proceeds of $2,119,736 were credited to the common stock and capital surplus accounts.

INCENTIVE COMPENSATION PLANS

Under year-to-year Incentive Compensation Plans of the domestic and foreign divisions, key employees earned approximately $5,636,000 for 1962 and $5,468,000 for 1961. In 1962 these plans covered 2,310 employees, the maximum earned by any employee approximating 1% of the total. No person participated in these plans during any period in which he was a director or an executive officer of the Company.

COMPANY PENSION PLANS

The Corporation has a noncontributory pension plan and a contributory retirement annuity plan for domestic employees, and its foreign subsidiaries also have pension plans of various types. The unfunded past service costs of such pension plans of the Corporation and its consolidated subsidiaries are estimated to be $26,200,000 at December 29, 1962, and the estimated annual cost of such plans, including amortization of unfunded past service costs, is approximately $7,700,000 for those of the eligible employees covered at that date. The Corporation also makes contributions to pension plans of certain unions representing domestic employees who have elected not to participate in Company plans.

(Continued on next page)

Notes To Consolidated Financial Statements.. *Dec. 29, 1962 (cont'd)*

LONG-TERM DEBT AND EARNED SURPLUS

The following tabulation excludes current sinking fund requirements and maturities shown in current liabilities and is after deducting in certain cases the excess provision held in treasury over current sinking fund requirements.

	Dec. 29, 1962	*Dec. 30, 1961*
National Dairy Products Corporation		
2¾% Debentures due 1970	$ 29,138,000	$31,494,000
3% Debentures due 1970	17,700,000	18,879,000
3⅛% Debentures due 1976	23,986,000	24,417,000
4⅜% Sinking Fund Debentures due 1992	35,000,000	—
Foreign subsidiaries		
5% Debenture Stock due 1975 of English subsidiary	3,780,000	3,920,000
6¾% Debenture Stock due 1975 of English subsidiary	4,200,000	—
5% Mortgage Debenture Stock due 1968 of Australian subsidiary	1,298,721	1,456,000
4% Mortgage Bonds due 1966 of Canadian subsidiary	1,496,000	1,642,500
Totals per Consolidated Balance Sheets	$116,598,721	$81,808,500

All of the issues of long-term debt shown above have sinking fund or prepayment requirements, the aggregate annual amounts of which total $3,653,250 for 1964 and $3,953,250 for 1965.

Pursuant to the terms of the indentures under which the Corporation's 2¾%, 3% and 3⅛% Debentures are outstanding, $72,580,000 of consolidated earned surplus was restricted at December 29, 1962 as to payments of cash dividends.

AUDITORS' OPINION

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF NATIONAL DAIRY PRODUCTS CORPORATION:

We have examined the consolidated balance sheet of National Dairy Products Corporation (a Delaware corporation) including foreign subsidiary companies as of December 29, 1962, and the related statements of consolidated profit and loss and surplus for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for 1961.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus present fairly the financial position of National Dairy Products Corporation including foreign subsidiary companies as of December 29, 1962, and the results of their operations for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., March 7, 1963.

Arthur Andersen & Co.

Foreign Subsidiaries Other Than Canadian

Combined Condensed Balance Sheets

	December 29 1962	*December 30* 1961
Current assets	$ 42,922,696	$ 39,640,136
Property, plant and equipment, less reserve for depreciation	29,356,709	28,340,378
Prepaid and deferred items, investments, etc.	790,252	695,952
	$ 73,069,657	$ 68,676,466
Current liabilities	$ 21,479,557	$ 24,987,694
Long-term debt	9,278,721	5,376,000
Reserves for insurance, etc.	2,270,438	1,604,500
	$ 33,028,716	$ 31,968,194
Net tangible assets	$ 40,040,941	$ 36,708,272

Combined Condensed Statements Of Profit And Loss

	52 Weeks Ended Dec. 29, 1962	Dec. 30, 1961
INCOME:		
Net sales	$151,460,099	$140,147,926
Other income	700,502	1,124,261
Total	$152,160,601	$141,272,187
INCOME DEDUCTIONS:		
Cost of products	$117,374,192	$109,512,891
Delivery, selling, general and administrative expense	25,347,786	22,189,915
Interest on long-term debt	320,109	294,195
Total	$143,042,087	$131,997,001
PROFIT BEFORE TAXES ON INCOME	$ 9,118,514	$ 9,275,186
Provision for taxes on income	4,195,648	4,182,094
NET PROFIT FOR THE YEAR	$ 4,922,866	$ 5,093,092
Dividends received by Company	$ 2,594,036	$ 3,976,389

NATIONAL DAIRY PRODUCTS CORPORATION

INCLUDING FOREIGN SUBSIDIARY COMPANIES*

Condensed Ten-Year Statement of Consolidated Assets and Liabilities

(All amounts are expressed in thousands)

WORKING CAPITAL	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953
CURRENT ASSETS										
Cash and marketable securities	$ 89,551	$ 27,747	$ 43,297	$ 62,498	$ 61,936	$ 73,253	$ 73,470	$ 94,386	$115,719	$131,711
Notes and accounts receivable (net)	97,155	95,180	87,998	78,710	76,456	65,841	65,948	55,613	49,231	50,733
Inventories	238,713	262,197	224,587	194,213	181,584	146,417	150,135	135,488	111,912	107,306
Total Current Assets	$425,419	$385,124	$355,882	$335,421	$319,976	$285,511	$289,553	$285,487	$276,862	$289,750
CURRENT LIABILITIES										
Notes payable	$ —	$ 15,000	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Accounts payable and accruals	121,574	119,740	112,826	107,261	98,141	90,168	84,904	75,305	72,079	58,281
Federal and foreign taxes on income	34,697	35,441	32,167	32,579	32,433	24,968	28,897	38,617	36,334	49,729
Sinking fund requirements, less long-term debt held in treasury	612	486	1,645	1,152	882	3,247	2,918	2,180	1,750	1,415
Total Current Liabilities	$156,883	$170,667	$146,638	$140,992	$131,456	$118,383	$116,719	$116,102	$110,163	$109,425
Working Capital	$268,536	$214,457	$209,244	$194,429	$188,520	$167,128	$172,834	$169,385	$166,699	$180,325
PROPERTY, PLANT & EQUIPMENT—NET	326,603	317,799	298,103	290,242	276,815	239,676	221,117	205,528	191,490	176,384
INVESTMENTS, OTHER ASSETS AND PREPAID ITEMS**	9,504	10,696	8,786	8,847	7,334	22,066	17,094	12,502	11,510	7,946
Total	$604,643	$542,952	$516,133	$493,518	$472,669	$428,870	$411,045	$387,415	$369,699	$364,655
LONG-TERM DEBT	$116,599	$ 81,808	$ 84,178	$ 87,886	$ 91,673	$ 88,900	$ 92,150	$ 95,400	$ 98,650	$101,400
RESERVES, ETC.	18,318	15,243	11,501	9,349	12,333	4,744	3,892	2,704	2,631	14,398
Total	$134,917	$ 97,051	$ 95,679	$ 97,235	$104,006	$ 93,644	$ 96,042	$ 98,104	$101,281	$115,798
Book Value of Common Stock**	$469,726	$445,901	$420,454	$396,283	$368,663	$335,226	$315,003	$289,311	$268,418	$248,857

NOTE: **Other foreign subsidiaries included with domestic and Canadian beginning in 1958. As of the end of 1962 all domestic subsidiary companies had been merged into the Corporation.*
***Excluding intangibles.*

NATIONAL DAIRY PRODUCTS CORPORATION

INCLUDING FOREIGN SUBSIDIARY COMPANIES*

Condensed Ten-Year Statement of Consolidated Profit and Loss

(All amounts are expressed in thousands, except per share and other statistics)

INCOME	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953
Net sales	$1,820,538	$1,790,834	$1,667,176	$1,605,725	$1,548,386	$1,432,319	$1,352,878	$1,260,230	$1,210,328	$1,232,126
Other income	6,420	7,136	5,900	6,322	4,548	6,130	5,693	5,393	3,902	4,582
Total	$1,826,958	$1,797,970	$1,673,076	$1,612,047	$1,552,934	$1,438,449	$1,358,571	$1,265,623	$1,214,230	$1,236,708
INCOME DEDUCTIONS										
Cost of products	$1,368,316	$1,345,510	$1,235,331	$1,188,277	$1,139,179	$1,052,909	$ 986,071	$ 910,490	$ 874,950	$ 912,586
Delivery, selling, general and administrative expense	348,023	344,907	330,630	320,516	318,312	298,471	292,426	272,029	258,660	239,275
Miscellaneous charges—net	2,430	3,429	2,431	1,989	2,009	576	794	508	736	411
Interest on long-term debt	3,711	2,598	2,737	2,803	2,943	2,735	2,813	2,909	2,991	3,074
Total	$1,722,480	$1,696,444	$1,571,129	$1,513,585	$1,462,443	$1,354,691	$1,282,104	$1,185,936	$1,137,337	$1,155,346
PROFIT BEFORE FEDERAL AND FOREIGN TAXES ON INCOME	$ 104,478	$ 101,526	$ 101,947	$ 98,462	$ 90,491	$ 83,758	$ 76,467	$ 79,687	$ 76,893	$ 81,362
Federal and foreign taxes on income	53,175	51,315	51,280	49,100	45,035	39,700	34,750	39,340	39,500	50,525
NET PROFIT FOR THE YEAR	$ 51,303	$ 50,211	$ 50,667	$ 49,362	$ 45,456	$ 44,058	$ 41,717	$ 40,347	$ 37,393	$ 30,837
PAYMENTS										
Dividends	$ 29,411	$ 28,536	$ 28,177	$ 27,317	$ 24,973	$ 24,892	$ 23,844	$ 21,601	$ 20,840	$ 19,853
Payroll	273,263	272,159	262,013	256,331	255,602	244,558	233,491	221,866	211,522	203,724
Taxes	75,542	72,087	71,490	66,938	61,502	54,373	49,708	53,029	52,333	62,758
PER SHARE OF COMMON STOCK										
Earnings transferred to earned surplus	$ 3.57	$ 3.51	$ 3.59	$ 3.51	$ 3.27	$ 3.18	$ 3.02	$ 2.98	$ 2.77	$ 2.31†
Dividends	2.05	2.00	2.00	1.95	1.80	1.80	1.75	1.60	1.55	1.50†
Taxes	5.26	5.04	5.07	4.76	4.43	3.93	3.60	3.91	3.88	4.71†
Book value (excluding intangibles)	32.69	31.18	29.79	28.19	26.53	24.21	22.81	21.36	19.91	18.68†
OTHER STATISTICS										
Number of—										
Stockholders	69,727	69,993	69,940	69,708	68,681	68,364	66,478	64,841	63,177	62,318
Employees	47,596	48,822	47,943	48,809	50,482	46,332	46,496	45,905	45,733	45,274

NOTE: **Other foreign subsidiaries included with domestic and Canadian beginning in 1958. As of the end of 1962 all domestic subsidiary companies had been merged into the Corporation.*
†*Adjusted to give effect to the 100% stock dividend of September 15, 1954.*

NATIONAL DAIRY PRODUCTS CORPORATION

OFFICERS

J. HUBER WETENHALL
President

ROBERT S. GORDON
Vice-president and Gen. Counsel

J. CLYDE LOFTIS
Vice-President

GEORGE H. RUTHERFORD
Vice-Pres. & Chr., Finance Comm.

C. R. ROBERTS
Vice-President

ROBERT L. TALBOT
Assistant Vice-President

A. BOAG, JR.
Comptroller

A. S. ARONSON
Treasurer

JOS. L. CALIRI
Secretary

WM. E. NUESSLE
Assistant General Counsel

HOWARD L. MAURHOFF
Assistant Treasurer

PETER CAMPBELL, JR.
Assistant Comptroller

L. J. ZIMMERLEIN
Assistant Comptroller

ELIZABETH H. DREHER
Assistant Secretary

CATHARINE FOURNIER
Assistant Secretary

RAYMOND P. DENNETT
Assistant Secretary

OPERATING COMMITTEE

J. HUBER WETENHALL, *Chairman*

L. M. BECKER
SAM COOPER
GORDON EDWARDS
ROBERT S. GORDON

GLENN GUNDELL
HERBERT HUMPHREYS
DR. ARNOLD H. JOHNSON
J. CLYDE LOFTIS

L. P. MCCOUN
C. R. ROBERTS
GEORGE H. RUTHERFORD
EMANUEL M. TERNER

Transfer Agent
MANUFACTURERS HANOVER TRUST COMPANY
New York, New York

Registrar
THE CHASE MANHATTAN BANK
New York, New York

Counsel
SULLIVAN & CROMWELL

Auditors
ARTHUR ANDERSEN & CO.

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NATIONAL DAIRY PRODUCTS CORPORATION

Principal Operating Divisions

Kraft Foods . . . This Division operates a wide complex of plants and distributing branches in the United States, Canada, and several countries overseas. It has steadily diversified its lines until they cover hundreds of food products, including numerous varieties of Cheese and Cheese products, Salad Dressings, Jellies and Preserves, many Confections (including the new Kraft Candy Shop Chocolates), Cooking Oils and Shortenings, Fruit Salads and other Citrus products, Sauces and Dessert Toppings, Condiments, etc. Kraft Foods also does a large institutional business in these and other products—packed largely in bulk but with some of them in individual portions—being a supplier of these products to the operators of restaurants and other dining establishments. Likewise, this Division makes and markets Animal and Poultry Feeds, as well as a broad line of ingredient products for other food processors.

Sealtest Foods . . . This Division conducts the Company's Milk and Ice Cream business. Sealtest Foods processes and distributes Fluid Milk, Cream, Ice Cream, Cottage Cheese, Orange Juice, Lemonade (and several other fresh fruit beverages), Butter, Buttermilk, Chocolate Milk, Skim Milk, and many additional products in markets ranging from the Rocky Mountains to the Atlantic Coast. Sealtest products are delivered to the homes, food stores, and restaurants of most communities within these areas, with a particularly intensive coverage in states east of the Mississippi. Throughout these markets, Sealtest is one of the best known names in dairy products. This Division also includes the noted Breyer's Ice Cream business in the mid-Atlantic states, and the Dominion Dairies business so familiar to the Provinces of Ontario and Quebec where both Dominion and Sealtest brands are now found side-by-side in the dairy cases.

Breakstone Foods . . . This Division is one of the nation's oldest and largest makers and distributors of choice Cottage Cheese, Cream Cheese and other Soft Cheeses, Sour Cream, Yogurt, Whipped Butter, and other dairy specialties. From its expanding plants, Breakstone's products are transported in its heavy duty, over-the-road trucks—around-the-clock—into the most densely populated markets along the Eastern Seaboard.

Humko Products . . . This Division—one of the outstanding operations in the Vegetable Oil field — has produced Edible Oils and Shortenings for consumers and food processors for more than three decades. In addition, it produces a broad range of high-quality Industrial Chemical products derived from fats. From its refineries in the Mississippi Valley area, Humko's products are distributed throughout the country, appearing under its own brands, as well as in many forms of foods and industrial products.

Metro Glass . . . This Division is a manufacturer of Glass Containers which are used not only in our own business, but by a long list of other companies which sell Glass-packed products in the food and beverage fields, as well as in the chemical, drug, cosmetics and household products trades. Metro operates four Glass plants in the metropolitan areas of New York, Pittsburgh and Chicago. Metro over the years has continued to improve its products and service and intensify its market coverage.

Sugar Creek Foods . . . This Division is an important producer of quality Butter, which it churns and packages at several plants strategically located in the principal dairy sections of the Middle West. The Sugar Creek brand is well-known in various parts of that area, and in addition its product is distributed under our Sealtest brand, as well as other names in various parts of the country. In recent times, this Division has begun a promising business in Ice Cream Mix, distributing it to customers in the Central South and Southwest.

Research and Development . . . This Division carries out all the extensive research activities of National Dairy. Through our research center located near Chicago, it conducts fundamental and applied research, and is manned and equipped to work with our various operating Divisions on their differing and highly-specialized problems involving the development of new and improved products and processes, as well as the efficient use of by-products.

NATIONAL DAIRY
PRODUCTS CORPORATION
260 MADISON AVE. NEW YORK 16, N.Y.

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